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July 8, 2004

BY HAND

Mary L. Cottrell, Secretary
Massachusetts Department of Telecommunications
and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Fitchburg Gas and Electric Light Company, D.T.E. 04-48


Dear Ms. Cottrell:

Enclosed for filing in the above-referenced proceeding, please find an original and four (4) copies of Fitchburg Gas and Electric Light Company's responses to the Attorney General's First Set of Document and Information Requests.

AG-1-1 AG-1-2 AG-1-3 AG-1-4

Please let me know if you have any questions.

Very truly yours,


Scott J. Mueller

SJM:rtm

Enclosures

cc: Caroline Bulger, Hearing Officer (1 copy)
Wilner Borgella, Jr., Asst. Attorney General (4 copies)
James Powell, Rates and Revenue Division (3 copies)

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company d/b/a Unitil
Docket No: D.T.E. 04-48
Attorney General's First Set of Document and Information Requests

Request No. AG-1-1

Referring to Schedule LMB-4, please provide documentation supporting the pension expense and PBOP expense included in the 2001 cost of service.

Response:

Attached are excerpts from FG&E's 2001 Cost of Service schedules, labeled as "Attachment AG 1-1(1)", "Pages 1 through 4", from the Company's December 19, 2002 final compliance filing in its last base rate proceedings, DTE 02-24/25.

Pages 1 and 2 of Attachment AG 1-1(1) are from FG&E's Gas Division Cost of Service and pages 3 and 4 of Attachment AG 1-1(1) are from FG&E's Electric Division Cost of Service.

Pages 1 and 3 of Attachment AG 1-1(1), titled "PENSION ADJUSTMENT," show that there was no pension expense in the test year as FG&E's pension income in 2001 was eliminated (ref: Line No. 1) from the Cost of Service. This supports the entry for "Pension Expense Allowed in the Test Year" on Line No. 1 of Schedule LMB-4.

Pages 2 and 4 of Attachment AG 1-1(1), titled "POSTEMPLOYMENT BENEFITS OTHER THAN PENSION ADJUSTMENT," show the amounts of PBOP expense allowed for the Gas and Electric Divisions in the test year (ref: Line(s) No. 5) from the Cost of Service. This supports the entry for "FG&E PBOP Expense in the Test Year" on Line No. 2 of Schedule LMB-4.

Person Responsible: Laurence M. Brock

Date: July 8, 2004

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
PENSION ADJUSTMENT
FOR THE 12 MONTHS ENDED DECEMBER 31, 2001

LINE NO.	DESCRIPTION	TOTAL
1	TO ELIMINATE TEST YEAR INCOME FROM PENSION FUND INVESTMENT	\$30,189 (1)

(1) REFER TO AG-RR-83 AND ATTACHMENT FOR ACTUARIAL LETTER DATED APRIL 30, 2001.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION ADJUSTMENT
FOR THE 12 MONTHS ENDED DECEMBER 31, 2001

LINE NO.	DESCRIPTION	FAS 106 BENEFIT COST (1)	RETIREE TRUST FUNDING	TOTAL
1	PBOP AMOUNT FOR CALENDAR YEAR 2002	\$31,898	\$545,029	\$576,927
2	AMOUNT TO GAS DIVISION AT 46.31% (2)	14,772	182,748	14,772
3	33.63% (2)			182,748
4	LESS FAS 106 AMOUNT CHARGEABLE TO CAPITAL	6,278	0	6,278
5	PBOP AMOUNT TO O&M EXPENSE	8,494	182,748	191,242
6	LESS TEST YEAR O&M EXPENSE	7,242	172,488	179,730
7	INCREASE IN PBOP O&M EXPENSE	\$1,252	\$10,260	\$11,513

(1) REFER TO EXHIBIT FGE MHC-2C (Gas). ACTUARIAL LETTER DATED MARCH 13, 2002
(2) ALLOCATION PROPOSED IN G&E SPLIT STUDY.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
PENSION ADJUSTMENT
FOR THE 12 MONTHS ENDED DECEMBER 31, 2001

LINE
NO.

1

DESCRIPTION

TO ELIMINATE TEST YEAR INCOME FROM PENSION FUND INVESTMENT

TOTAL

\$105,778

(1)

(1) REFER TO AG-RR-63 AND ATTACHMENT FOR ACTUARIAL LETTER DATED APRIL 30, 2001.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION ADJUSTMENT
FOR THE 12 MONTHS ENDED DECEMBER 31, 2001

LINE NO.	DESCRIPTION	FAS 106 BENEFIT COST (1)	RETIREE TRUST FUNDING	TOTAL
1	PBOP AMOUNT FOR CALENDAR YEAR 2002	\$31,888	\$645,029	\$676,927
2	AMOUNT TO ELECTRIC DIVISION AT 53.69% (2)	17,126	362,281	17,126
3	66.47% (2)			362,281
4	LESS FAS 106 AMOUNT CHARGEABLE TO CAPITAL	7,887	0	7,887
5	PBOP AMOUNT TO O&M EXPENSE	9,539	362,281	371,820
6	LESS TEST YEAR O&M EXPENSE	9,552	307,712	317,264
7	INCREASE IN PBOP O&M EXPENSE	(\$13)	\$54,589	\$54,586

(1) REFER TO EXHIBIT FGE MHC-20 (Electric), ACTUARIAL LETTER DATED MARCH 13, 2002
(2) ALLOCATION PROPOSED IN GIE SPLT STUDY.

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company d/b/a Unitil
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Request No. AG-1-2

Referring to Schedule LMB-5, please provide supporting documentation for the 2003 capitalization ratios.

Response:

Attached are 2 schedules, labeled as "Attachment AG 1-2(1)", "Pages 1 and 2", which show the derivation of the capitalization ratios on Schedule LMB-5.

Page 1 of Attachment AG 1-2(1), titled "Charges & Clearing Rates," shows the calculation of the capitalization ratio used to adjust FG&E's Pension/PBOP expenses. The capitalization ratio represents the amount of construction-related payroll as a % of total payroll in the period. The ratio is .4117, or 41.17%, and is determined by dividing the TOTAL CONSTRUCTION Payroll \$ amount by the TOTAL Payroll \$ amount. This supports the calculation for "Amounts Chargeable to Capital" on Lines No. 2 and 11 of Schedule LMB-5.

Page 2 of Attachment AG 1-2(1), titled "USC Outside Services Analysis," shows the calculation of the capitalization ratio used to adjust the amount of USC's Pension/PBOP expenses charged to FG&E. The USC capitalization ratio represents the amount of construction-related USC charges to FG&E as a % of total USC charges to FG&E in the period. The ratio is .2331, or 23.31%, and is determined by dividing the USC LABOR & OVERHEAD CAPITALIZED \$ for FG&E by the total USC LABOR & OVERHEAD CHARGED. This supports the calculation for "Amounts Chargeable to Capital" on Lines No. 5 and 16 of Schedule LMB-5.

Person Responsible: Laurence M. Brock

Date: July 8, 2004

FITCHBURG GAS & ELECTRIC LIGHT COMPANY
CHARGES & CLEARING RATES
FOR COMPUTATION OF PAYROLL BENEFIT RELATED OVERHEADS

BASIS FOR ALLOCATION:

DESCRIPTION	Payroll \$	2003 RATIO
CONSTRUCTION		
INDIRECT	\$ 978,367	0.1838
DIRECT	<u>1,213,914</u>	<u>0.2280</u>
TOTAL CONSTRUCTION	2,192,281	0.4117
OTHER	<u>3,132,070</u>	<u>0.5883</u>
TOTAL	<u>\$ 5,324,351</u>	<u>1.0000</u>

FITCHBURG GAS & ELECTRIC LIGHT COMPANY
USC Outside Services Analysis
December, 2003

	<u>Unitil Energy Systems, Inc.</u>	<u>Fitchburg G & E Combined</u>	<u>Charges to Others</u>	<u>Labor & Overhead Total</u>
<u>2003 USC Services</u>				
USC Labor & Overhead Charged	\$ 8,873,404	\$ 7,684,713	\$ 1,103,125	\$ 17,661,242
USC Labor & Overhead Charged %	50.24%	43.51%	6.25%	100.00%
USC Labor & Overhead Capitalized \$	\$ 2,090,302	\$ 1,791,085		
USC Labor & overhead Capitalized %	23.56%	23.31%		

Commonwealth of Massachusetts
Department of Telecommunications and Energy
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Request No. AG-1-3

Referring to Schedule LMB-5, please provide supporting documentation for the 2003 Unitil Service Co. allocation of 43.51%.

Response:

Please refer to the Attachment to the Company's response to AG-1-2, labeled as "Attachment AG 1-2(1)", specifically to Page 2 of 2 which is titled "USC Outside Services Analysis." The Unitil Service Corp. allocation ratio to FG&E is calculated by dividing the amount of USC LABOR & OVERHEAD CHARGED \$ charged to FG&E by the total USC LABOR & OVERHEAD CHARGED \$ to all companies in the period.

Page 2 of Attachment AG 1-2(1) shows the calculation of the USC allocation ratio used to apportion the amount of USC's Pension/PBOP expenses in the period. The USC allocation ratio represents the amount of USC charges to FG&E as a % of total USC charges in the period. The ratio is .4351, or 43.51%, and is determined by dividing the USC LABOR & OVERHEAD CHARGED \$ charged to FG&E by the total USC LABOR & OVERHEAD CHARGED \$ to all companies in the period.

This supports the calculation for "Unitil Service Pension/PBOP Expenses Allocated to FG&E" on Lines No. 4, 13 and 14 of Schedule LMB-5.

Person Responsible: Laurence M. Brock

Date: July 8, 2004

Commonwealth of Massachusetts
Department of Telecommunications and Energy
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Docket No: D.T.E. 04-48
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Request No. AG-1-4

Please explain why there is no allocation of the pension and PBOP costs between the distribution and transmission functions.

Response:

For ratemaking purposes, FG&E's proposal addresses the allocation of pension and PBOB costs between the distribution and transmission functions in two ways.

First, with respect to expenses, as discussed on page 25 of my testimony and as provided in Attachment AG-1-1(1), the amount of pension and PBOP costs determined to be recovered in base rates includes the amounts allocated to transmission based on the test year cost of service used in FG&E's last rate case. As a result, the amount of pension and PBOP costs allocated to transmission is deducted in determining the PAF.

Second, with respect to prepaid pension/PBOP balances, FG&E proposes to exclude these balances in its transmission cost of service for ratemaking purposes, and only recover carrying charges on prepaid pension/PBOP balances through the PAF.

Person Responsible: Laurence M. Brock

Date: July 8, 2004